

# **MINUTES OF THE EXECUTIVE APPROPRIATIONS COMMITTEE**

**June 19, 2001 at 1:00 P. M.**

**Room 303, State Capitol Building**

Members Present: Sen. Leonard Blackham, Committee Co-Chair  
Rep. Jeff Alexander, Committee Co-Chair  
Sen. Ron Allen  
Sen. Gene Davis  
Sen. Mike Dmitrich  
Sen. Peter Knudson  
Pres. Al Mansell  
Sen. Steve Poulton  
Sen. John Valentine  
Rep. Patrice Arent  
Rep. Ralph Becker  
Rep. Jackie Biskupski  
Rep. Greg Curtis  
Rep. Kevin Garn  
Rep. Brad King  
Speaker Martin Stephens  
Rep. David Ure

Sen. Bill Hickman, Vice-Chair  
Rep. Ron Bigelow, Vice Chair

Members Absent: Sen. Pete Suzao

Staff Present: John Massey, Legislative Fiscal Analyst  
Michael Kjar, Deputy Director  
Linda Hansen, Secretary

Others Present:

List of Others Present on File:

Committee Co-Chair Alexander called the meeting to order at 1:10 p.m.

## **1. Approval of Minutes**

**Motion:** Co-Chair Blackham made a motion to approve the minutes of May 22, 2001. The motion passed unanimously with Sen. Davis and Reps. Becker and Biskupski absent at the time of voting.

## **2. Analysis of Inmate Growth, Jail Programs & Housing Needs Within the Department of Corrections**

A handout was given to the Committee and Kevin Walthers, Fiscal Analyst, reported on the matter.

Mr. Walthers responded to issues from the April meeting of Executive Appropriations. He said that counties participating in jail contracting have an average of 2.54 beds per 1,000 residents available for state use.

Mr. Walthers said that the state is not legally obligated to provide a minimum number of inmates.

Plans in April called for a “last in, first out” system and UDC and county sheriffs now agree that removal of inmates from county facilities should be done proportionally.

Mr. Walthers indicated that Request for Proposal process and bid for state jail contracts could result in some savings for the state but such a plan could be extremely detrimental to small counties and referred to Page 15 of the handout.

Mr. Walthers responded to the following intent Language

*It is the intent of the Legislature that the Legislative Fiscal Analyst prepare a report on the capacity and operational needs of the Department of Corrections. The report should provide an analysis of the merits of various construction methods, jail contracting, jail reimbursement and offer recommendations for future funding for the housing of inmates. (H.B. 1, Item 70, 2001 General Session.)*

There is enough capacity within the Department of Corrections and county jails to house state inmates for at least two years.

Counties should not count on State contracts as the major source to fund operations or debt service.

Mr. Walthers indicated that the issue on new facility construction is not as complete as they would like it to be at this time.

Mr. Walthers said that the Legislature should consider funding inmate growth through a “weighted inmate unit” and should also consider moving the Jail Reimbursement program out of the Department of Corrections.

County rates for jail reimbursement were reviewed by Mr. Walthers.

The following recommendations for jail reimbursement were made by Mr. Walthers:

The Legislature should develop a long range plan that will fit state budget needs and allow county sheriffs to establish long term plans. It is important that jail reimbursement levels should be driven by statewide legislative policy goals – the appropriate funding level is the level at which the Legislature believes the state is imposing costs on individual counties.

The Legislature should continue to annually review the policy issues regarding funding levels for jail reimbursement and consider continuing the policy set during the 2001 General Session that placed the Jail Reimbursement program in its own line item.

The Executive Offices and Criminal Justice Appropriation Subcommittee should devote enough time to this issue prior to the 2002 Session so that it can address the issue more thoroughly for FY 2003 and beyond.

The Executive Offices and Criminal Justice Subcommittee should take testimony from the Department of Corrections, the Courts and Counties and offer policy recommendations to the Executive Appropriations Committee regarding the following issues:

- What is the appropriate level of state funding for jail reimbursement?
- Should the state continue to fund costs for medical and transportation?
- Would jail reimbursement be more appropriately funded through the Courts?

**Motion:** Rep. Garn made a motion to approve the recommendations.

Mike Chabries, Executive Director, Department of Corrections, handed out a response to the Committee and responded to the recommendations and said he has no issue with them.

Mr. Chabries responded to questions of the Committee.

Brad Slater, Weber County Sheriff and representative for the Sheriffs' Association responded to jail reimbursement and said it should be fully funded by the state or at least be studied.

Another concern of Mr. Slater is the availability of beds and having enough staff.

Mr. Slater responded to questions of the Committee.

The motion passed unanimously.

Mr. Walthers responded to questions on jail contracting.

Chad Johnson, former Beaver County Commissioner, responded to questions of the Committee.

**Motion:** Co-Chair Blackham made a motion to have the Interim Executive Offices and Criminal Justice appropriations subcommittee review different methods and new ways of jail contracting.

The motion passed unanimously.

### 3. **Revenue and Economic Update**

Andrea Wilko, Fiscal Analyst, reported that the latest TC-23 projects a total FY 2001 shortfall of \$46 million, down from \$59 million in the prior TC-23..

Ms. Wilko said that sales tax receipts remain solidly stronger than anticipated in February and will contribute to a surplus in the General Fund.

Under individual income both withholding and final payments lag behind forecasts made during February and will be a major contributor to a deficit in the Uniform School Fund.

Corporate Franchise receipts are down and mineral production up.

The most current TC-23 reports motor fuel receipts growing at 1.8 percent. The adopted revenues anticipated a growth rate of 3 percent. In addition to the lower than expected growth, an \$8 million refund is expected to occur.

Mark Bleazard, Fiscal Analyst made comments concerning motor fuel tax refund.

Ms. Wilko reviewed the Spending Limit. She said the budget for FY 2002 is \$108.4 million under the limit. Unrestricted General and Transportation Fund Centennial Highway fund monies in FY 2003 are estimated at \$221.7 million. Therefore, only \$88.2 million will be available for expenditure in FY 2003.

Revenues generally grow by more than \$88 million annually. The Legislature may choose to implement changes which would loosen the limit. Some ideas to loosen the limit are listed below:

- Reverse all or part of H.B. 194, 2000 General Session
- Exempt transfers out of the Centennial Highway Fund for debt service
- Exempt one-time appropriations from the spending limit
- Spend only what is allowable

Rep. Arent requested a report from the Governor's Office concerning the agency budget hold backs for FY 2002.

Ms. Wilko reported on tax refunds from the Treasury Department that will be mailed to taxpayers beginning this summer. She said the IRS will not list the refund credit on the 2001 federal tax form. Hence there will be no change in federal deductibility on state forms and no significant windfall to the state from this provision.

Ms Wilko responded to questions of the Committee.

#### **4. Report on Performance Based Budgeting Pilot Program - Division of Wildlife Resources**

A handout was given to the Committee.

Steve Allred, Fiscal Analyst, said the purpose of this report is to follow up on the pilot “Performance Informed Budget” that was requested by the Legislative Process Committee and presented to the Natural Resources Appropriations Subcommittee in the 2001 General Session.

Performance-Based Budgeting is sometimes also referred to as “Results-Based Budgeting.” The Legislative Process Committee opted to refer to the concept as “Performance-Influenced Budgeting.” By whatever name, performance budgeting links appropriations to outcomes through the use of performance information in budget decision-making and the inclusion of performance indicators in the budget document. It does not replace the political process of making difficult resource allocation decisions.

The pilot Performance-Based Budgeting for the Division of Wildlife Resources worked well because the division already had a strategic plan in place. During the budget hearings in the 2000 General Session, the pilot budget improved the discussion of the budget subcommittee and improved program evaluation.

The pilot budget for the Division of Wildlife Resources was written by the Fiscal Analyst’s in cooperation with the Division. It was shown to the Legislative Process Committee in October 2000. The Process Committee, by motion, made several recommendations to the Executive Appropriations Committee, including:

- That the budget of the Division of Wildlife Resources be presented at the next session in a Performance-Based Budget format.
- That the Legislature refer to this type of budget as “Performance Informed Budget” rather than “Performance Based Budget.”

The pilot budget was given to the Natural Resources Appropriations Subcommittee in the 2001 General Session. The Division of Wildlife Resources spent considerable time researching prior-year data and calculating unit cost information regarding many of the performance measures.

Mr. Allred reviewed the performance measures and assessment on Pages 4 and 5 of the report.

Mr. Allred discussed the things that worked well. A Strategic Plan was already in place which laid the foundation for performance budgeting.

The presence of performance measures in the budget recommendation helped focus discussion on the issues surrounding the measures. The performance measures did not preclude committee members from asking questions or making comments of particular importance to them.

Mr. Allred said there was good Executive Branch involvement. The Division and the Governor's Office of Planning Budgeting participated in the process of developing measures. There were time constraints and if Performance Based Budgeting is to be successful, it must become an integral part of the Governor's budget process, not just the Legislature's.

While no appropriation changes were made based on outcome measures, some program changes were suggested.

Mr. Allred mentioned the following items should improve over time as the appropriations subcommittee becomes more accustomed to using outcome measures:

- Better linkage of budget recommendations to outcome measures
- No performance targets were set
- Time was short
- More focus on outcomes vs. outputs
- Format can be improved.

Mr. Allred reviewed lessons learned from other states using performance budgeting:

- Performance budgeting has important benefits
- States are increasingly using performance indicators
- Performance budgeting should not be seen as an instant cure for budgeting dilemmas
- Challenges of implementing performance budgeting
- Suggestions for successful implementation

Mr. Allred recommended that all state agencies, including the judiciary, develop a performance based budgeting process to be initiated in the FY 2004 budget cycle. As part of this process, key performance measures will be established through a cooperative effort by the agencies, the Governor's Office of Planning and Budget, and the Office of the Legislative Fiscal Analyst. The measures that are developed should provide the Legislature with a functional, systematic approach for determining effective use of appropriated funds. Where appropriate, this process should reflect the objectives of Utah Tomorrow.

Mr. Allred further recommended that implementation of Performance Based Budgeting should be phased in over several years. Most states take three to five years to bring all state agencies "on board." In Utah, most agencies are adept at reporting process measures such as input, output, and quality. A valuable Performance Based Budgeting system should give participants time to craft and perfect outcome measures.

Mr. Allred responded to questions of the Committee.

**Motion:** Sen. Valentine made a motion that the Executive Appropriations Committee request that the appropriations sub committees report Performance Based

Budgeting information from the departments to the Executive Appropriations Committee at the beginning of the next interim.

The motion passed unanimously with Sen. Davis and Reps Biskupski, Curtis, Garn and Stephens absent at the time of voting.

5. **Report on New Performance and Accountability Measures Proposed by the Utah Systems of Higher Education**

Boyd Garriott, Fiscal Analyst, handed out a written report to the Committee.

Mr. Garriott said the Legislative Fiscal Analyst's Office, in conjunction with the State Board of Regents, have been asked to report on accountability and performance measures for the Utah System of Higher Education. During the past decade, there has been a growing interest in making higher education more accountable to the public for the resources it uses and the results it achieves. The Regents identified seven performance indicators that are intended to measure trends and progress toward achieving certain systemwide goals and objective. The performance measures include:

- Pass rates on professional certification and licensure examinations
- The number of graduates in high demand employment fields
- Graduation efficiency
- Transfer efficiency
- Faculty teaching loads
- Student participation rates
- Minority participation rates

Mr. Garriott said the performance indicators have been reviewed and they are similar to those used in other states. Colorado was cited as an example.

It is the recommendation of the Legislative Fiscal Analyst that the Legislature review the performance indicators proposed by the Board of Regents to determine their impact on the quality and effectiveness of undergraduate teaching and learning, faculty workload and performance, student retention, and graduation efficiency. It is also recommended that the members of the Executive Appropriation Committee suggest additional performance measures that address issues of concern.

It is also the recommendation of the Legislative Fiscal Analyst that the members of the Executive Appropriation Committee forward any recommendations to this Committee for consideration in their discussion on a new funding formula for higher education.

Mr. Garriott responded to questions of the Committee.

A handout was given to the Committee from the State Board of Regents on a Master Plan 2000 on Accountability for Performance.

Commissioner Cecelia Foxley reported on performance measures as follows: pass rates on professional certification and licensure examinations; number of graduates in high demand employment fields; and graduation efficiency. The tables on Pages 2 and 4 were reviewed.

Commissioner Foxley responded to questions of the Committee.

Speaker Stephens requested information on annual unfilled job openings in high demand areas.

Speaker Stephens requested that the Board of Regents do a study concerning cost to add ten or fifteen additional medical students including residency costs.

**Motion:** Speaker Stephens made a motion to request input on current Higher Education performance measures from the Education Interim Committee, the Higher Education Joint Appropriation Subcommittee, and members of the Executive Appropriations Committee at the September meeting.

The motion passed unanimously with Sen. Davis and Reps. Becker and Biskupski absent at the time of voting.

**Motion:** Rep. Ure made a motion to adjourn the meeting.

The motion passed unanimously.

The meeting was adjourned at 3:10 p.m.

Minutes were reported by Linda Hansen

Handouts:

*Analysis of Inmate Growth, Jail Programs and Housing Needs Within the Utah Department of Corrections*

*UDC Response to Fiscal Analyst's Report*

*Revenue and Economic Update*

*Report on Performance-Based Budgeting Pilot Program for the Division of Wildlife Resources*

*Performance Funding In the Utah System of Higher Education*

*Master Plan 2000 Accountability for Performance Report to Executive Appropriations Committee*